



REGIONAL ECONOMY EXTENDS GAINS

The Savannah metro economy’s healthy growth continued in the opening quarter of 2024. For the second consecutive quarter, strength was broad-based, with solid gains in electricity sales—reflecting growth in residential, commercial, and industrial activity—along with consumer spending, and boardings at the airport.

The business forecasting index increased sharply, extending its gains for another quarter. Firming up in the housing market and favorable conditions in the labor market combined to push the forecasting index up. Overall, the forecasting index is sending a stronger signal about healthy economic conditions through the remainder of 2024.

The U.S. economy slowed, held back by diminished growth in business investment, consumer purchases of goods, exports, and government expenditures. Inflation remains above the 2% goal established by the Federal Reserve, and, so, the likelihood of multiple interest rate cuts in 2024 is diminishing with market expectations now centered on one rate cut toward the end of the year.

HEALTHY REGIONAL GROWTH CONTINUES

The business index for the Savannah metro economy notably increased 1.1% (4.5% annualized) in the first quarter of 2024, matching the pace of growth recorded at the end of 2023 and extending the period of healthy growth to six months. The index of current economic activity increased to 218.9 from 216.5 (revised) in the previous quarter. The increase was broadly-based for the second consecutive quarter, again supported by gains in all seven indicators of current regional economic activity comprising the index.

Metro Savannah employers added 300 workers during the quarter, raising total

employment to 206,400. Growth in the service sector modestly outpaced growth in goods-producing industries. In the first quarter, government employment increased faster than private sector employment, but the private sector has expanded at a pace greater than four times faster than the public sector since 2010.

In the service sector, several hundred jobs were added with most new workers concentrated in business and professional services (+500 jobs) and leisure/hospitality (+400 jobs) while retail trade and logistics each shed about 300 workers. Notably, business and professional services extended their winning streak to two quarters, adding 1,500 workers following a five-quarter period of weakness. Education and health remain the region’s top job-providing sector with 29,000 workers followed by tourism with 28,000 workers.

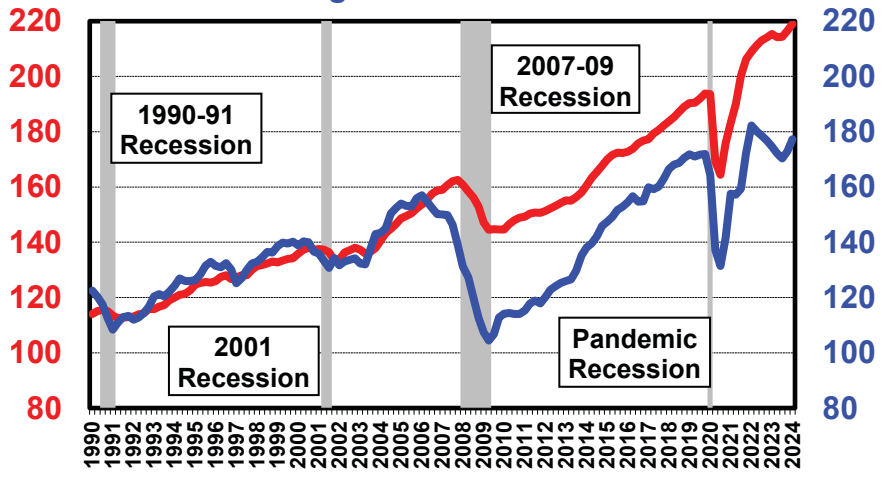
As noted, the regional logistics sector shed about 300 jobs during the quarter, bringing total employment in the sector to 18,900, slightly above the annual figure for 2023, but about 10% higher than in 2021. Port activity, as measured by number of standardized containers handled in GPA facilities, fell modestly

(-0.4%) in the first quarter but remains on a solid path of expansion with 7% growth as compared to six months ago and an 11% over-the year gain. Multi-billion-dollar investment in GPA facilities will, in the short term, add 30% to capacity by 2025 leading to a doubling of capacity within a few more years.

The goods-producing side of the economy held steady with 32,700 workers during the quarter. Manufacturing employment increased by 100 and totals 22,400 workers. Manufacturing will continue to grow healthily through 2024 as the Hyundai electric vehicle plant and its suppliers aim toward a late 2024 opening date. Construction employment shed 100 workers but remains above 10,000 workers and exceeds the level of construction employment in 2006–2007 before the Great Recession re-normalized the regional residential construction sector.

After adjusting for inflation, private sector wages increased to \$25.63 from \$24.83 per hour during the quarter, a gain of 3.2% from the previous quarter. During the quarter, the length of the private sector workweek shortened by 2.6% (about 50 minutes) to 30.7 hours and is now 5.4% shorter than one year ago, however.

Savannah Metro Business Index
Leading and Coincident Series



U.S. ECONOMY SLOWS

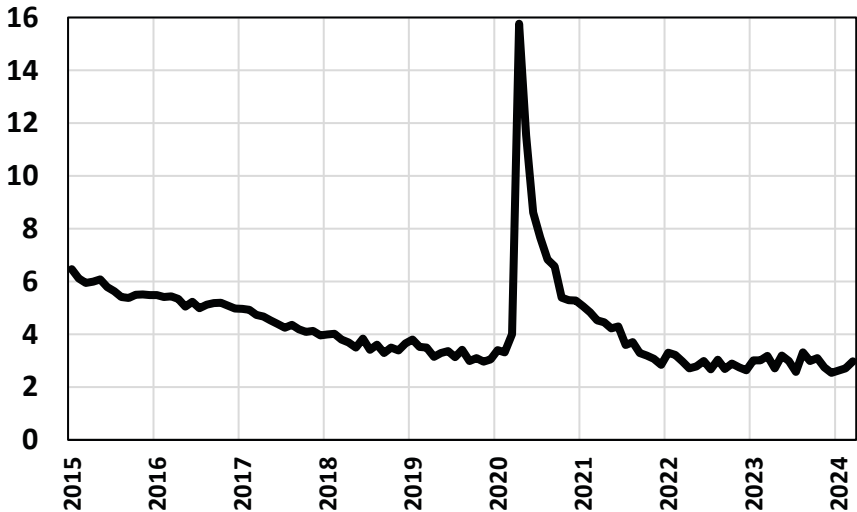
The U.S. economy (gross domestic product, GDP) expanded at the pace of 1.3% in the opening quarter of the year, less than half the rapid pace attained as 2023 ended. The slowdown is attributed to slowing consumer expenditures, exports, and government spending. A healthy increase in consumer spending on services was partially offset by a decline in purchases of goods, particularly automobiles. Business investment in equipment and structures was modest, at best, while inventory investment declined. Construction of residential buildings surged to a 14% pace of growth and was the third consecutive quarter of increased activity, perhaps reflecting normalizing expectations for mortgage interest rates to remain relatively stable at elevated levels as compared to the unsustainably low rates of 2020 to 2022.

General consumer price inflation appears to be stabilizing at an annual rate of approximately 3 to 4% during the past 9 to 12 months, stubbornly remaining above the Federal Reserve goal of 2%. More recently, accelerating healthcare and housing costs have kept inflation from further receding. The persistence of inflation reduces the likelihood of interest rate policy de-escalation in 2024. Further, the U.S. labor market remained strong through the first quarter of 2024, creating an average of 270,000 jobs per month and holding the national unemployment rate below 4%. Although early reports for the second quarter suggest slowing job creation, what is likely to be the only Fed rate cut of 2024 will be late in the third or fourth quarter of the year.

REGIONAL FORECASTING INDEX SURGES AGAIN

The Savannah area business forecasting index surged 2.6% (10.6% annualized) during the opening quarter of the year. The leading index increased to 177.2 from 172.8, extending its robust growth for the second consecutive quarter on continued

SAV MSA Unemployment Rate (%)



Source: Georgia Department of Labor and GS Economics.
Seasonally adjusted data.

improvement in the regional housing market and generally favorable conditions in the regional labor market.

In the housing market, the seasonally adjusted issuance of construction permits for single-family homes held steady at 673 permits. This is 11.5% higher than year-ago issuance and 4.4% higher than six months ago. Further, average building permit value for a single-family home increased 4.9% to \$251,500 from \$240,000 in the previous quarter.

In the regional labor market, the monthly number of initial claims for unemployment insurance (UI) sharply increased (+31%) to 759 from 578 in the previous quarter. Although elevated, this is nearly 5% below the number of new claims six months ago and only 1.2% higher than one year ago. The regional unemployment rate barely ticked up one-tenth of one percent to 2.8% from 2.7% in the last quarter of 2023. Although new claims for unemployment insurance are about 10% higher than in the six months leading up to the pandemic recession of 2020, the regional unemployment rate has been roughly 3% for the past three years

(See chart above), indicating that the newly unemployed have been reabsorbed back into the regional workforce.

The regional forecasting index is sending a stronger signal for regional economic activity through the remainder of 2024. The housing market for single-family homes appears to be stabilizing, while builders are beginning to adapt to the need for additional multifamily dwellings. The number of multifamily unit dwellings permitted since 2020 is roughly the same number as permitted in the eight years leading up to 2020. The need for multifamily unit construction will continue in the next five years as population inflow and new household establishment associated with the standing up of the regional electric vehicle industry will increase demand for new and existing homes.

Overall, the remainder of 2024 is expected to be a favorable period of sustainable economic growth. The regional economy's expected employment growth trend in 2024 is comparable to the annual rate (+2.6%) since 2010.

A Note From the Analyst

The *Economic Monitor* is available by email and at the Center's website (research.georgiasouthern.edu/innovation/cbaer/economic-monitor-newsletter). If you would like to receive the *Monitor* by email, please send a 'subscribe' message to CBAER@georgiasouthern.edu.



About the Indicators

The *Economic Monitor* provides a continuously updated quarterly snapshot of the Savannah Metropolitan Statistical Area economy, including Bryan, Chatham and Effingham counties in Georgia. The coincident index measures the current economic heartbeat of the region. The leading index is designed to provide a short-term forecast of the region's economic activity in the upcoming six to nine months.